




OFFICE OF INSPECTOR GENERAL

Norman D. Butts
Inspector General

MEMORANDUM

March 25, 2002

TO: Bruce Romer
Chief Administrative Officer

FROM: Norman D. Butts 
Inspector General

SUBJECT: **CAO Response:** An Investigation of Certain Activities Involving a former Director of the Department of Liquor Control

You assert in your "Chief Administrative Officer's Response" (included in the above-referenced report as Appendix A) that our investigation merely duplicated the efforts of the Internal Audit Section (IAS). You further imply that we did not cooperate or coordinate our investigation with IAS or State's Attorney's Office (SAO) investigators. We categorically reject both of those assertions.

We initiated our investigation immediately upon learning of alleged improprieties by the former director of the Department of Liquor Control (DLC). We immediately contacted the IAS and the SAO, and worked very closely with both agencies. Office of Inspector General (OIG) and SAO investigators conducted numerous interviews jointly. We did this specifically to avoid duplication of effort and to reduce any burden placed on witnesses. We shared information where legally permissible. Similarly, we had regular contact with the IAS and exchanged information where appropriate. In short, there was considerable coordination among all three agencies as the OIG law suggests but does not require.

With regard to the issue of duplication of effort, the three agencies complemented each other's efforts with minimal duplication. While there were areas of mutual interest, the three agencies had different areas of responsibility. The IAS was tasked with reviewing the legitimacy of reimbursements issued to the former director and insuring recovery of County funds. The SAO focused on determining whether criminal laws were violated. The OIG had much broader interests. Our investigation involved a review of topics including the procurement and administration of a consulting services contract for the former director before he was hired as director at DLC, the issuance of a County credit card to the former director before he was a County employee, the lack of disclosure of certain information by the former director as required by the County's ethics law, and a review of the adequacy and



implementation of various management controls pertinent to our investigation. In short, we studied the events and suggested how management could prevent a recurrence.

Indeed, you further assert that existing management controls worked. Again, we disagree. The conduct of the former director with respect to credit card, travel, and other expense abuses went undetected for years. The information that precipitated your review of financial transactions involving the former director came to light because of a complaint from a DLC employee who was a subordinate of the former director. That is not an example of an appropriate management control.

Many of the questioned activities (excess contract payments, the improper issuance of a County credit card, the failure to comply fully with financial disclosure statement requirements, the years of improper travel, and local expense reimbursements) were identified only during the course of subsequent audit and investigative procedures. Management controls in the Office of Procurement and the Department of Finance did not detect or prevent the issuance of a County credit card to a non-County employee. Neither departmental-level controls nor Department of Finance controls identified in a timely manner the instances of non-compliance with various credit card procedures. The abuses continued undetected by senior County management for several years. Reimbursements for questionable local business expenses and non-local travel expenses also went unchallenged for several years. This occurred in part because the offending employee was the department director. Approval authority for reimbursements had been delegated to the department-level financial staff but subordinate employees did not feel empowered to question the authority of the former director when he sought reimbursement for questionable expenditures. Contract administration procedures allowed clearly inappropriate reimbursements to be issued to the consultant in violation of the terms of the contract.

Finally, two additional remarks in your response deserve further comment. First is your statement that our report contains cumulative and repetitive recommendations. This places form over substance. As you know the format we have used for the past several years was designed to bring discrete findings to management's attention. It is therefore possible a specific recommendation will fit more than one finding. An important fact to keep in mind is that our work is done professionally and in accordance with generally accepted auditing and investigative standards. Second is your statement that, "The Inspector General has acknowledged there were no impediments or reasons not to consult with the CAO, he simply chose not to." That statement is incorrect. On December 14, 2001 and again on February 26, 2002 you were told that there were in fact legitimate investigative reasons for not consulting with you directly.

In conclusion, we stand firmly by our decision to conduct our own independent, broad review of allegations of fraud, waste, abuse, and issues of accountability in this case. In doing our own independent review, while cooperating with others where appropriate, we believe we were doing exactly what the County's inspector general law envisioned.